

## Message Text

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62

ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 RSC-01 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 USIA-15 PRS-01

SS-15 NSC-05 /092 W

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R 022301Z DEC 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5104

UNCLAS OTTAWA 3906

PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJ: BANK OF CANADA LOWERS SECONDARY RESERVE REQUIREMENTS

1. ON NOV 29, BANK OF CANADA ANNOUNCED LOWERING OF SECONDARY RESERVE REQUIREMENTS FROM 8 PERCENT TO 7 PERCENT EFFECTIVE DEC 2. ALTHOUGH SOME NEWSPAPERS TERMED BANK ACTION AS AN EASYING OF CREDIT RESTRICTIONS, BANK GOVERNOR GERALD BOUEY IS QUOTED IN PRESS RELEASE AS SAYING THAT MOVE "IN ITSELF SHOULD NOT BE INTERPRETED AS A SIGNIFICANT MOVE IN THE DIRECTION OF EASING MONETARY POLICY."

2. AS DEFINED IN THE BANK ACT, THE SECONDARY RESERVES OF A CHARTERED BANK ARE ITS HOLDINGS OF GOVERNMENT OF CANADA TREASURY BILLS AND DAY-TO-DAY LOANS TO INVESTMENT DEALERS PLUS THAT PART OF ITS HOLDINGS OF NOTES OF, OR DEPOSITS WITH, THE BANK OF CANADA WHICH IS IN EXCESS OF THE MINIMUM CASH RESERVE REQUIREMENT. THE SECONDARY RESERVE RATIO EXPRESSES, IN TERMS OF A PERCENTAGE OF A CHARTERED BANK'S CANADIAN DOLLAR DEPOSIT LIABILITIES, THE AMOUNT OF SECONDARY RESERVES THAT IT IS REQUIRED TO HOLD ON AVERAGE DURING A MONTH.

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3. THE GOVERNOR SAID THAT THE BANK OF CANADA DID NOT WANT TO KEEP THE SECONDARY RESERVE REQUIREMENT ANY HIGHER THAN NECESSARY, AND THAT CIRCUMSTANCES HAD BECOME FAVOURABLE FOR A REDUCTION IN IT BY VIRTUE OF THE LARGE INCREASE IN THE BANK BALANCES OF THE GOVERNMENT OF CANADA ARISING FROM SALES OF CANADA SAVINGS BONDS. WHILE THE IMMEDIATE EFFECT WILL BE AN INCREASE IN THE FREE LIQUID ASSET HOLDINGS OF THE CHARTERED BANKS, THE GOVERNOR NOTED THAT THE IMPACT OF TODAY'S ACTION ON BANK LIQUIDITY IS BEING SUBSTANTIALLY OFFSET THROUGH THE BANK OF CANADA'S CASH RESERVE MANAGEMENT AND OPEN MARKET OPERATIONS. JOHNSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 DEC 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
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**Film Number:** D740349-0538  
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**Status:** NATIVE  
**Subject:** BANK OF CANADA LOWERS SECONDARY RESERVE REQUIREMENTS  
**TAGS:** EFIN, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005